UNITED
NATIONS

TD

United Nations Conference
on Trade and Development

Distr.
LIMITED

TD/B(XXXVII)/SC.2/L.2
20 March 1991

Original: ENGLISH

TRADE AND DEVELOPMENT BOARD
Thirty-seventh session, second part
Geneva, 11 March 1991
Agenda items 4 and 5

DRAFT REPORT OF SESSIONAL COMMITTEE II

Rapporteur: Mr. J.-L. Tordeur (Belgium)

CONTENTS

Chapter		Paragraphs
	Introduction	(i) - (iii)
I.	United Nations Programme of Action for African Economic Recovery and Development 1986-1990: UNCTAD's intergovernmental input into the General Assembly's final review and appraisal of the implementation of the Programme of Action in 1991 (agenda item 4)	1 - 46

GE.91-50470/3011B

INTRODUCTION

(i) At its 782nd plenary meeting, on 11 March 1991, the Trade and Development Board decided to establish a sessional committee of the whole (Sessional Committee II) to consider and report on the following items:

United Nations Programme of Action for African Economic Recovery and Development 1986-1990: UNCTAD's intergovernmental input into the General Assembly's final review and appraisal of the implementation of the Programme of Action in 1991 (agenda item 4);

Review of progress in the implementation of the Programme of Action of the Second United Nations Conference on the Least Developed Countries - UNCTAD's contribution to the follow-up of the Programme of Action (agenda item 5).

(ii) At its 1st meeting and resumed 1st meeting on 11 and 12 March 1991, Sessional Committee II elected Mr. Ahmed A. Gubartalla (Sudan) as its Chairman and Mr. Jean-Louis Tordeur (Belgium) as its Vice-Chairman-cum-Rapporteur.

(iii) In the course of the second part of the thirty-seventh session of the Board, Sessional Committee II held ... plenary meetings.

Chapter I

UNITED NATIONS PROGRAMME OF ACTION FOR AFRICAN ECONOMIC RECOVERY AND DEVELOPMENT 1986-1990: UNCTAD'S INTERGOVERNMENTAL INPUT INTO THE GENERAL ASSEMBLY'S FINAL REVIEW AND APPRAISAL OF THE IMPLEMENTATION OF THE PROGRAMME OF ACTION IN 1991

(Agenda item 4)

1. For its consideration of agenda item 4, Sessional Committee II had before it the following documentation:

"UNCTAD's contribution to the implementation of the United Nations Programme of Action for African Economic Recovery and Development 1986-1990: progress report by the Secretary-General of UNCTAD" (TD/B/1279);

"United Nations Programme of Action for African Economic Recovery and Development 1986-1990: UNCTAD's intergovernmental input into the General Assembly's final review and appraisal of the implementation of the Programme of Action in 1991: report by the Secretary-General of UNCTAD" (TD/B/1280 and Add.1 and Corr.1 (English only)).

2. The Director of the UNCTAD Task Force Unit on the UN-PAAERD, introducing the item, said that the UN-PAAERD consisted of a framework of mutually reinforcing actions by African countries and by the international community. African Governments assumed the principal responsibility for the region's future development and had undertaken to implement economic reforms and to improve their economic policies in the context of Africa's Priority Programme for Economic Recovery (APPER) 1986-1990. The international community had committed itself to supporting efforts of African countries in implementing the UN-PAAERD in a number of specified areas and to ensuring an external environment which would be supportive of efforts by African Governments and provide the additional resource support required.

3. With regard to the implementation of the UN-PAAERD, efforts had been made by both African Governments and the international community relating to the objectives of the Programme. Although the problems which had given rise to the international initiative establishing the UN-PAAERD had not been substantially reduced, a number of gains had nevertheless been achieved. The programme had mobilized both African Governments and the international community around a set of consistent policies aimed at alleviating the African situation, and it had initiated actions which had to be pursued vigorously in the light of the fragile progress made so far.

4. In particular, efforts needed to be intensified in designing structural adjustments in such a way that developmental aspects were not sacrificed in favour of shorter-term stabilization measures. The international community's efforts needed to be intensified in the areas of debt, commodities and financial flows. Another area which would need increased attention in future activities to assist African countries was regional co-operation.

5. UNCTAD's own contribution to the UN-PAAERD had continued to involve policy research and analysis, technical co-operation activities, and participation in inter-agency activities.

6. In conclusion, the concrete results of the implementation of the UN-PAAERD had been patchy, and the Board should reaffirm the need for special efforts from the international community to be pursued in accordance with paragraph 3 of the General Assembly resolution 45/178A.

7. The spokesman for the Group of 77 (Egypt) said that since 1986 African countries had implemented adjustment programmes, whether at their own initiative or in co-operation with multilateral financial institutions. These programmes had been pursued in spite of the high social costs associated with them, and the efforts made were beginning to yield some positive results in the areas concerned.

8. Adjustment programmes undertaken upon the advice of multilateral financial institutions had put more emphasis on macro-economic imbalances, while largely ignoring long-term structural problems. This had contributed to the adoption by the African countries in April 1989 of the "African Alternative Framework for Structural Adjustment Programmes" as a guideline for future action.

9. Though the UN-PAAERD had succeeded in bringing the problems of the region to the attention of the international community and world public opinion, this success was now at risk because of preoccupation with Eastern and Central Europe and the recent crisis in the Middle East.

10. The external environment had not been sufficiently supportive of African efforts. Africa's debt stock had risen exponentially, the prices of many commodities of interest to Africa continued to fluctuate in a declining direction, Africa's share of world trade had fallen, its terms of trade had deteriorated, foreign direct investment had dried up despite efforts undertaken by African countries to encourage it, and aid flows had been below the levels expected by African countries and promised by the donor community.

In addition, natural disasters and phenomena such as floods, drought and desertification had had adverse effects on the efforts of African countries.

11. African countries continued to accept that they had the primary responsibility for their own development and were still committed to pursuing their reform programmes while taking into account the long-term developmental objectives. The success of African efforts, however, would depend on improvements in the external environment and the intensification of international support.

12. Any assessment of the UN-PAAERD and follow-up action should cover the whole of developing Africa, and all statistics and information studies generated by UNCTAD, the World Bank and UNDP should correspond to this demand.

13. The four years that had elapsed since the beginning of the Programme represented a short time for any sustained progress to materialize, though the time was sufficient for laying down a framework. The present approach and existing mechanisms had proved not to be without use and the programme therefore needed to be extended for another five years and given additional momentum so as to fulfil the initial goals of the UN-PAAERD. In this regard, there was need for increased ODA and support for African countries from the multilateral financial institutions, as well as increased foreign direct investment, while taking into account long-term developmental concerns and the need to reduce the social costs of adjustment.

14. The extended UN-PAAERD should be readjusted to enable it to cope with changes that had taken place in Africa. UNCTAD's own contribution should include the continuation of needs appraisal missions which should cover all regions of developing Africa. The role of UNCTAD's Task Force Unit had been appreciated by African countries, and the work of this unit needed to be strengthened and continued. Moreover, the Group of 77 appreciated the positive role of UNCTAD's technical assistance unit for African countries in their preparations for multilateral trade negotiations. He concluded by saying that his Group hoped for an agreed outcome that would send a recommendation to the Ad hoc Committee of the Whole for extension of the programme for five more years.

15. The spokesperson for Group B (Norway) said that it was generally acknowledged that the African countries had the primary responsibility for the formulation and effective implementation of appropriate policies and priorities for their own growth and development. The UN-PAAERD had, indeed, been an African initiative - an expression of these countries' strong desire

to actively confront the challenges of African development. The Programme, therefore, had a high moral, psychological and political value for the region itself. It was also a call for, and a clear indication of several of these countries' need for, consistent support from the international community to be able to fulfil their objectives. The Programme's chief importance lay in the concept of mutual commitment and partnership between African developing countries and the international community.

16. Because the time span involved (four years) was too short for such a comprehensive and ambitious programme to show definite results, its success might be difficult to discern. The distinct value of the programme lay in the awareness of the need for stringent fiscal and economic measures to turn the tide towards a healthy development based on fiscal prudence and market-based principles. Fundamental socio-economic problems like those facing African countries could only be solved through long-term planning and efforts, sound economic policies and accountable institutions.

17. Africa's situation continued to be characterized by weak agricultural growth, a decline in industrial output, poor export performance, climbing debt and deteriorating social indicators, lack of institutional capacity and a worsening environmental situation. The Gulf crisis had raised uncertainty for African countries in terms of its effect on existing recessionary trends, endangering the progress which had been achieved during the period. This placed an extra responsibility on the world community not to let international attention be drawn away from the African continent.

18. In some African countries, scattered signs of recovery had occurred, which proved that adjustment measures, though burdensome, were indispensable. The positive results included moves towards more realistic exchange rates, interest rates and price systems, improvements in fiscal balances, trade liberalization, public management and increased emphasis on the role of the private sector and investment. In sub-Saharan Africa, where about two-thirds of the countries had begun to implement policies to effect structural adjustment of their economies, GDP had risen by 3.5 per cent in 1989, as against 2.5 per cent in 1988. However, with continued high rates of population growth, current GDP growth rates still produced little per capita income growth in most countries. Trends varied widely, but several countries in Eastern and Central Africa had achieved favourable economic performance after dismantling trade and other controls. Also, in response to adjustment efforts, SADCC countries had experienced recovery, particularly due to

appropriate policies in the agricultural sector. Internal war and continued insecurity impeded growth in several East African countries, and some Central African countries were severely hit by declines in coffee prices and food crop production.

19. African efforts were to be complemented by the international community in terms of increased resource flows, debt relief measures, and improved access to markets for products from Africa. Much of Africa's poor export performance was due to supply problems which needed to be resolved in Africa, but barriers to some of Africa's exports might in many cases constitute major disincentives to reform and diversification in Africa. Several proposals presented during the ongoing GATT negotiations could, however, have positive effects on African countries' trade.

20. Severely indebted low-income countries had benefited substantially from various debt initiatives by the donor community. Other new measures benefiting these countries were the World Bank's Special Programme of Assistance for debt-distressed African countries, and the IMF's Structural Adjustment Facility and Enhanced Structural Adjustment Facility. The debate in different international financing institutions, the recommendations made in the Craxi report and different proposals from individual countries were signs of the international community's continuous preoccupation with and commitment to finding solutions to the problems of low-income debt-distressed African countries.

21. The international community had made efforts to improve the situation, but more remained to be done. Resource flows (ODA) needed to be monitored and augmented where feasible. Improved recipient policies deserved support, especially in the context of higher levels of indebtedness and general economic uncertainty. African countries were now experiencing a very regrettable actual regression in health, education, transport and communication, but adjustment programmes were now being evolved by combining fiscal and monetary measures with steps to minimize the adverse social impact of adjustment.

22. Population growth continued to be high in most African countries, implying strains on social services, employment and the environment. Respect for human rights had to continue to get appropriate attention. Mobilization and development of human resources, as well as integration and participation of all groups, in particular women, in the development process, was of crucial

importance to ensure necessary support for and the basic ingredients in an increasingly self-reliant socio-economic development process in African countries.

23. Her Group particularly appreciated the work of the Secretary-General's Expert Group on African Commodities, which had drawn attention to the importance of increasing market access for products of interest to African countries.

24. Finally, in spite of its very short time frame, the UN-PAAERD had played a useful role in raising world consciousness about the problems of Africa. Her Group believed there was a need for continued commitment of international support and action for Africa.

25. The representative of China said that, in the process of implementing the UN-PAAERD over the past four years, many African countries had adopted wide-ranging measures to overcome difficulties and revamp their economies, including introducing restrictive policy measures, increasing revenues, making more effective use of resources, boosting production and invigorating the economy. These had been accompanied by trade liberalization and a general opening-up of the African economies. Although only a small number of African countries had registered success, adjustment policies had had some positive results in alleviating the economic hardships of the African countries and in promoting their recovery and development. During this period, the international community had also made some contribution in the form of increased ODA flows to African countries, though the drying-up of new export credits and the rise in debt-service payments had brought about a decline in real terms of official resource flows. The international community had also taken positive initiatives in favour of solving the foreign debt problem of African countries. These efforts had resulted in a marked increase of Africa's GDP during the implementation of the UN-PAAERD, as demonstrated by the rise in regional GDP at factor cost from 0.4 per cent in 1987 to 2.9 per cent in 1989. Although it had fallen short of removing the economic difficulties of the African countries, the Programme had made a positive impact on promoting the economic recovery of the African countries.

26. Overall, however, the African countries had experienced unabated deterioration in their socio-economic conditions throughout the 1980s, mainly due to external factors such as sluggish growth in the Western industrialized

countries, low and falling prices of commodities, high interest rates, mounting protectionist pressures and dwindling ODAs, coupled with internal factors such as policy mistakes in some African countries.

27. Her delegation believed that, upon the completion of the UN-PAAERD, and in addition to the further endeavours of African countries themselves, the international community still had a responsibility to continue its assistance to the African countries in their economic recovery and development. In addition to proposals advanced by the secretariat, further efforts should focus on financial resources, mobilization and efficient use of resources, the reduction or writing-off by creditor countries and multilateral financial institutions of the debt incurred by the African countries, and trade - particularly diversification; the international community must also improve market access conditions for African countries.

28. The representative of the Netherlands, speaking on behalf of the EEC and its member States, said that co-operation with Africa occupied a central position in the development activities of the Community. The Community's participation in the UN-PAAERD reflected its adhesion to the spirit and goals of the Programme, whereby donor countries recognized that their aid was essential for the success of the efforts of African countries, while the latter assumed their responsibility for development and policy reform. Such a relationship was a crucial step forward in the development dialogue and was in line with the type of contractually agreed mutual commitment which underlay the Lomé Convention.

29. The Community's participation in the UN-PAAERD was also based on its adhesion to the objectives of the Programme, in particular with respect to agricultural development and structural adjustment. The Community had provided extensive support in those areas, while pursuing a range of policies the need for which had been underlined by the UN-PAAERD, for example providing broad market access for African exports, developing human resources, protecting the environment, promoting regional co-operation, improving conditions for commodity production and trade, support for private enterprise development and investment, as well as improving the performance of public sector enterprises. Human rights had also occupied a central position in the Community-ACP dialogue.

30. As far as evaluating UN-PAAERD was concerned, the scale of the efforts of both African countries and donors and the seriousness of the problems faced meant that conclusions should be based on careful analysis. The efforts being

made must be seen in a long-term perspective, and short-term judgements should be avoided. The Community's efforts in co-operation with its African partners would go on, and it was hoped that their approach would be followed. The pursuit of the policies and reforms embarked upon by the African countries was essential for success. Finally, it was hoped that the kind of dynamic dialogue that had characterized relations between the Community and the ACP countries and in which co-operation instruments could be regularly improved and new policy concerns integrated could be developed among all those involved in the UN-PAAERD.

31. The representative of Israel said that the question of African development had long been one of great concern to his country, and a considerable proportion of his country's international technical co-operation programme concerned Africa.

32. Any consideration of Africa's problems had to give high priority to agriculture, and his country's experience in the development of agriculture was of relevance to Africa's present situation. At independence, Israel had been a food-deficit country, whereas today it was self-sufficient in agriculture and an important supplier of fresh produce to markets of the developed countries. Many aspects of Israel's success story were relevant to the needs of other developing countries, in particular innovative organizational structures, a stress on science and technology and its organic relationship with the field, and proper planning based on the requirements of the market.

33. With regard to the UN-PAAERD, the Programme's priorities included the development of agriculture and related sectors, but importance was also attached to issues such as the place of women in development. Regrettably, the overall situation in Africa had shown little improvement in the last five years, and the continent still faced a bleak situation, with infant mortality very high and life expectancy, in general, low.

34. UNCTAD's own contribution to the UN-PAAERD had been peripheral, and UNCTAD could either play a more useful co-ordinating role or devote its limited resources to other matters more clearly within its area of competence.

35. Since the special session in 1986, his country had been active in promoting diversified and market-oriented agriculture in some 10 African countries. His Government welcomed the new emphasis laid on the development of human resources, and his country's programmes always included an extension component. Emphasis was placed on the introduction of regenerative

agricultural systems, based on a much lower level of purchased inputs, and in some African countries his Government had been able to assist in the promotion of effective guided credit systems for small farmers.

36. The problems of subsistence agriculture remained a serious concern. Drought-resistant varieties of open pollinated sorghum and maize had been introduced by Israeli researchers, with promising results. His Government would shortly be introducing training and consultancy programmes dealing with the preservation and improvement of the agricultural ecology. These micro-level activities were an essential and basic part of the effort required to halt the degradation of Africa's agricultural production capacity.

37. The representative of Kenya said that Africa was today witnessing increasing emigration not only of skilled Africans but also of anyone who got the chance to flee the problems that had gripped Africa. Africa had, in real terms, contributed to growth and prosperity in other regions more than it had received in return, and the UN-PAAERD was an attempt to get Africa out of this situation.

38. It could not be denied that African countries had undertaken courageous reforms, including very painful structural adjustment measures. It was also true that Africa's development partners had adopted measures, even though these measures did not match the commitments undertaken.

39. His country had consistently undertaken a series of measures to improve the economic environment. The priority had been the provision of a stable political environment conducive to domestic as well as foreign business activity. The Government's pragmatic development strategy consisted of the following key elements: maintenance of realistic prices for agricultural produce, wage policies that contributed to price stability and encouraged employment creation, maintenance of interest rates that provided incentives to savers and promoted efficient allocation of credit to borrowers, flexible exchange rates, a liberalized trade régime and virtual elimination of price controls. Measures had also been taken aimed at increasing the participation of the public, especially women, in all levels of economic activity.

40. Through sound economic management, coupled with inflows of foreign capital, his country had managed to weather the difficult periods in the 1980s. The continuity in implementation of Kenys's development strategy and the efforts of the donor community to mobilize additional resources, including debt relief measures, had contributed to growth in the Kenyan economy averaging 5 per cent over the last five years.

41. The initial impact of the measures had, however, been mixed as was the case in other parts of Africa, and most of the positive results could be accounted for by good weather. Fiscal restraint had led to declines in essential social sectors, and it had also contributed to the depressed level of private investment, both domestic and foreign.

42. Important lessons had been learnt during the Programme period. First, initial efforts had concentrated too much on structural adjustment, especially if sponsored by the IMF/IBRD. Second, implementation of the Programme had been constrained by inadequate domestic and external resources. Domestic resources were limited by low commodity prices, the external resource flow had fallen short of expectations, and debt remained a major constraint for economic recovery. Efforts by national Governments had also stretched national administration capacities to extreme limits.

43. The Programme had made both the African countries and the international community realize that urgent and substantial efforts, and not piecemeal efforts, needed to be taken to arrest the decline and marginalization of Africa. Past approaches had allowed survival, but they had not generated development. It was therefore necessary to continue international efforts, taking into account Africa's long-term development needs.

44. The representative of Tunisia said that the current session of the Board offered a meaningful opportunity for the examination of what had been done over a period of four years in order to draw necessary conclusions for future activity. Thirty African States, sometimes on their own initiative, had undertaken structural adjustment programmes, despite the negative immediate political impact and high risk. Measures had included liberalization of external trade, deregulation of trade, privatization and rationalization of the civil service. However, the results were hardly encouraging, and only marginal, fragile progress had been made. Improvements in agriculture had been associated with climatic improvements, and on the whole the situation remained grave. A number of African countries had not been able to reconcile short-term macro-economic stabilization with long-term development and structural transformation.

45. In the wake of economically constraining programmes, it was appropriate to ask whether the sacrifice had been worthwhile and whether these programmes were properly designed for Africa. The obstacles encountered suggested that

an intensification of efforts was needed. He emphasized the need to pay full attention to the social sectors in designing structural adjustment programmes.

46. The African countries were committed to pursuing their reform efforts, and they expected the follow-up to UN-PAAERD to include refined approaches developed in the light of the experience acquired in implementing the UN-PAAERD 1986-1990.